

# Exhibit 1

**In The Matter Of:**

***WASHINGTON MUTUAL MORTGAGE BACKED SECURITIES  
LITIGATION***

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***ADAM J. LEVITIN - Vol. 1***

***June 28, 2012***

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1 ADAM J. LEVITIN  
2 UNITED STATES DISTRICT COURT  
3 WESTERN DISTRICT OF WASHINGTON  
4 AT SEATTLE  
5

6 -----x  
7 IN RE: WASHINGTON MUTUAL MORTGAGE BACKED  
8 SECURITIES LITIGATION

9 Master Case No. C09-0037  
10 -----x

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12 June 28, 2012

13 9:35 a.m.

14 Videotaped deposition of ADAM J.  
15 LEVITIN, at the offices of Scott + Scott, 500  
16 Fifth Avenue, New York, New York, before Nancy  
17 Mahoney, a Certified Court Reporter, Registered  
18 Professional Reporter, Certified LiveNote  
19 Reporter, and Notary Public within and for the  
20 States of New York and New Jersey.  
21  
22  
23  
24  
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1                   ADAM J. LEVITIN

2                   With respect to the questioning on  
3 authorities for certain of the statements that  
4 are made in that paragraph.

5                   Have you ever heard the term "skin  
6 in the game"?

7           A.       Yes.

8           Q.       And what does that refer to?

9           A.       In the context of securitization,  
10 it means whether the securitization sponsor --  
11 usually the sponsor, sometimes an originator,  
12 but usually whether the sponsor has a stake in  
13 the performance of the -- of the deal.

14                  So if the secur -- does the sponsor  
15 share in the risk in the securitization.

16           Q.       Would that concept include whether  
17 or not loans remained on the balance sheet?

18           A.       Well, if loans remained on balance  
19 sheet, assuming that there is no insurance for  
20 them, then there is a hundred percent skin in  
21 the game.

22           Q.       Okay. Sir, in connection with the  
23 congressional hearings relating -- related to  
24 Dodd-Frank, was the issue of skin in the game  
25 evaluated?

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1 **ADAM J. LEVITIN**

2 A. Yes, this was actually a critical  
3 piece of Dodd-Frank.

4 There is -- I believe it's in  
5 Title IX of Dodd-Frank -- I'm not sure I have --  
6 I can give you the citation -- the U.S. code off  
7 the top of my head -- but in Title IX of  
8 Dodd-Frank modifying the securities law and  
9 Title 15 of the U.S. code, there is now a  
10 provision requiring skin in the game for non --  
11 for securitizations other than of qualified  
12 residential mortgages.

13 **Q. And was there any testimony or any**  
14 **studies that supported that change?**

15 A. Quite a few. That this was  
16 something that was -- that has been a major  
17 concern about securitization in the academic  
18 literature for some time, about whether there is  
19 a moral hazard in securitization because the  
20 securitization sponsor is likely to have private  
21 information about the assets that the investors  
22 do not have and is able to transfer the risk on  
23 the assets to the investors.

24 So it's a very non --  
25 non-exhaustive list of works that reference

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2 this. There is an article by Chris Mayer, I  
3 think with some co-authors. Chris is a  
4 professor at the Columbia Business School.

5 Actually, the defendants' expert,  
6 Mr. James, has an article looking at this  
7 himself and certainly sites some other sources  
8 within that.

9 MS. KASWAN: I have no further  
10 questions of the witness.

11 EXAMINATION BY MR. CHESLER:

12 Q. Do you have any knowledge about any  
13 information which the sponsor for any of the  
14 deals at issue in this case had that was not  
15 known to the investors?

16 A. It -- it is my understanding that  
17 Washington Mutual as sponsor of these deals was  
18 aware that it had changed -- changed its  
19 underwriting process in numerous ways and also  
20 did not -- and also was not always following its  
21 underwriting process and that that was not  
22 communicated to the plaintiffs in the -- in this  
23 litigation.

24 Q. What's that understanding based on?

25 A. That understanding is based on